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Australia

Cotton and Products

Annual

2006

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Report Highlights:

Total cotton lint production in 2006/07 is forecast at 645,000 MT, up 35,000 MT from the revised estimate for the previous year. Average weather conditions anticipated from now until planting commences in October, combined with excellent soil moisture levels in some cotton growing regions is expected to improve the production prospects for 2006/07. Total cotton lint exports for 2006/07 are forecast to reach 635,000 MT.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Canberra [AS1]
[AS]

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SECTION ONE: SITUATION AND OUTLOOK

General

At time of writing this report, much of the Australia's cotton growing areas have begun experiencing drier than average conditions, despite intense cyclone activity in northern Australia. Southern NSW remains the driest region. Northern NSW and parts of Southern Queensland have also experienced drier conditions most recently, however excellent rain earlier in the year have seen these regions retain relatively good soil moisture profiles.

Irrigation water storage dams in adjacent catchments have also suffered from drier conditions lowering the levels of water available for irrigation more recently. This slight fall follows a period of steady improvement since the breaking of the drought in 2004/05.

The 2007/08 cotton crop is not due to be planted until towards the end of CY 2006, so will likely not be affected by current drier than average weather conditions. Harvest is now largely completed for the 2006/07 cotton crop and post has revised its estimate for this crop.

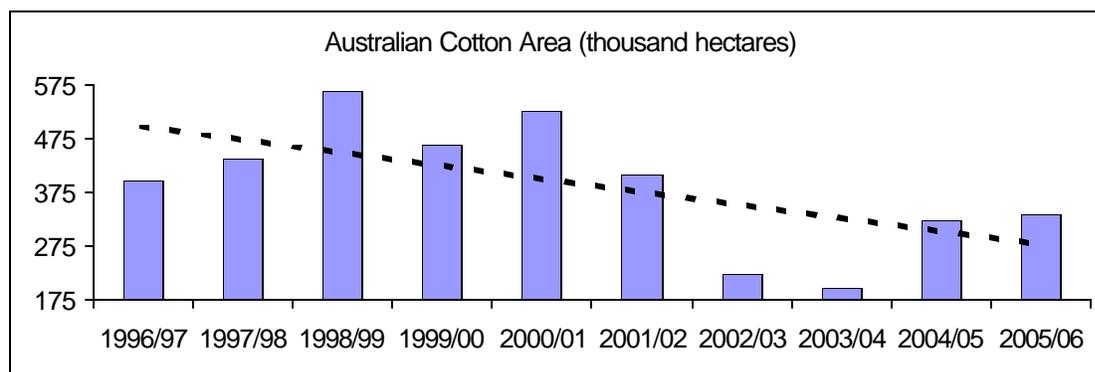
Post has assumed average weather conditions in 2006/07, and does not expect reduced production of summer crops at this stage. However, should current below average rainfall conditions continue into the 2006/07 crop year, Post would likely revise 2006/07 cotton production downward.

Area

Total area sown to cotton in CY 2006/07 is forecast at 360,000 hectares, representing an increase of 25,000 hectares on the revised estimate for the previous year. This figure is slightly higher than the 350,000 hectares forecast by ABARE and reflects a larger than expected crop for the previous year. Post has adjusted the area figure upwards to maintain a 2006/07 production increase without unduly distorting yield.

Post anticipates that assumed average weather conditions from now until the commencement of planting in October 2006 will likely to see both irrigation water reserves improve as well as soil moisture levels in areas currently facing a moisture deficit. A continuation of drier than average conditions would likely result in post revising its planted area forecast downwards.

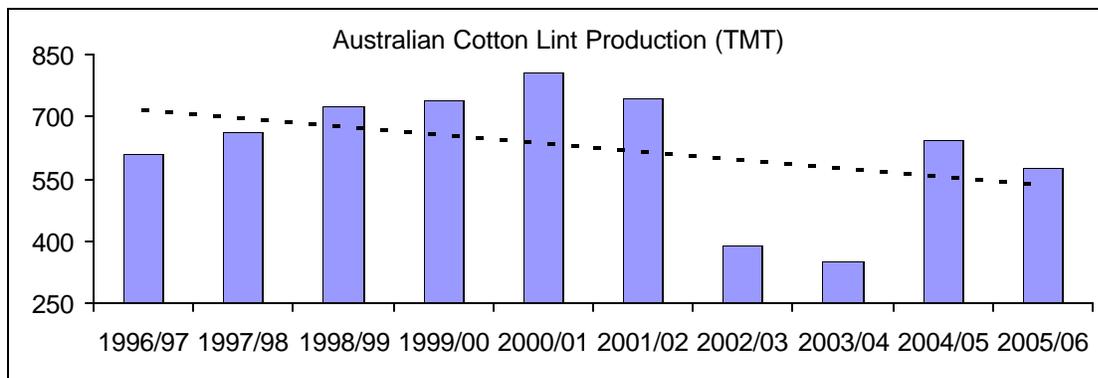
A forecast planted area of 360,000 hectares for CY 2006 would represent an improvement on previous drought conditions, although remaining well below levels experienced prior to the drought of 2002/03.



Production

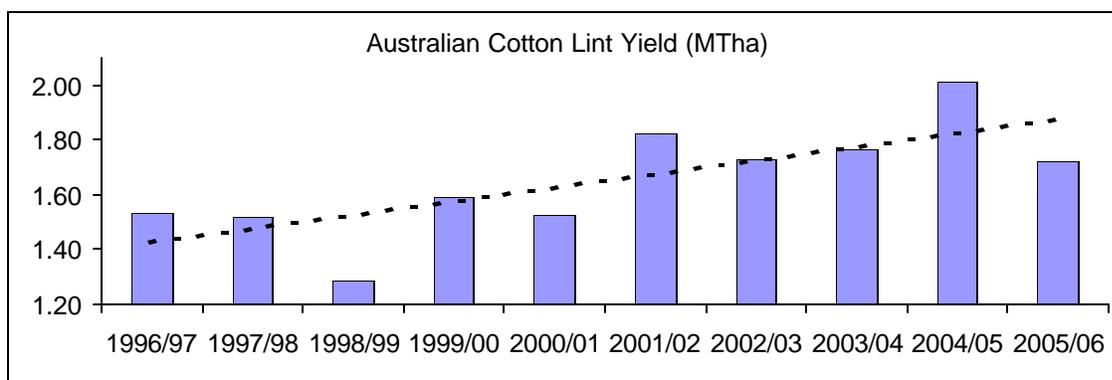
Total cotton lint production in 2006/07 is forecast at 645,000 MT, up 35,000 MT from the revised estimate for the previous year. Average weather conditions anticipated from now until planting commences in October, combined with excellent soil moisture levels in some cotton growing regions is expected to improve the production prospects for 2006/07.

Production for 2005/06 is estimated at 610,000 MT. Industry sources suggest the 2005/06 crop experienced "excellent" finishing conditions with widespread rainfall followed by drier conditions during harvest. Some regions in Queensland were affected by poorly timed rain during harvest.



Yield

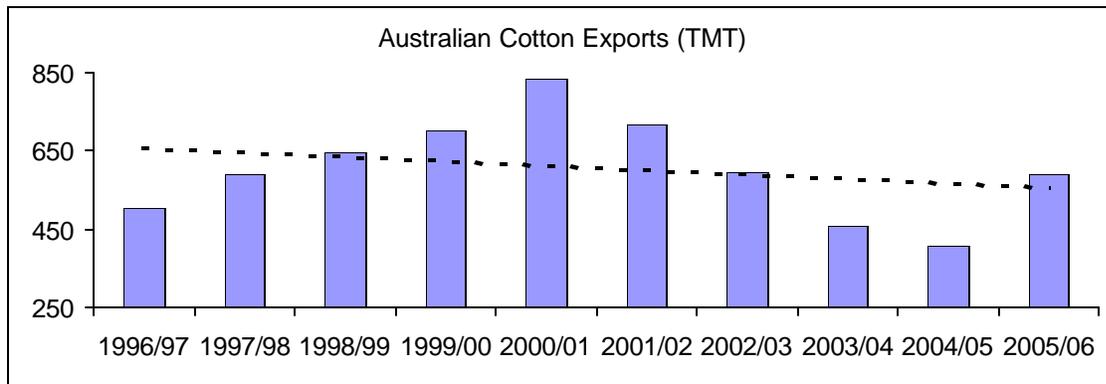
Forecast cotton lint production for 2006/07 assumes a yield of 1.79 MT per hectare. This figure is higher than the 10 year average of 1.65 MT per hectare but slightly lower than the five year average of 1.81 MT per hectare. Recent times have seen cotton yields improve greatly.



Exports

Total cotton lint exports for 2006/07 are forecast to reach 635,000 MT. This represents an increase of 30,000 MT from the previous year and remains in-line with the forecast production increase in the forecast year. According to historical data, the export forecast, if achieved, would be considered slightly above average.

Post advises that the reporting year for this report begins in August while the Australian cotton harvest concludes in May, only three months earlier. This means that much of the cotton harvested in 2006/07 will not be exported until 2007/08. It is for this reason that exports may not directly reflect production in a given year.



Consumption

Consumption is forecast to remain unchanged at 25,000 MT in CY 2006/07. Post does not anticipate any increases in domestic consumption of cotton lint in the foreseeable future. The relative high cost of processing cotton within Australia ensures the vast majority of Australian cotton production is exported for processing.

Official trade statistics show Australia exported 435,119 MT for the year ending July 2005. Indonesia was Australia's largest export destination receiving around one third of total exports. China received around 19 percent of total exports, up from 5 percent two years earlier. Thailand, South Korea and Japan were Australia's next three largest markets respectively.

SECTION TWO: STATISTICAL TABLES

| PSD Table | | | | | | | |
|-------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------|
| Cotton | | | | | | | |
| | 2004 | Revised | 2005 | Estimate | 2006 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 08/2004 | | 08/2005 | | 08/2006 | MM/YYYY |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 | HECTARES |
| Area Harvested | 314000 | 321000 | 310000 | 335000 | 0 | 360000 | HECTARES |
| Beginning Stocks | 194648 | 196216 | 425220 | 408589 | 363168 | 416005 | (MT) |
| Production | 653180 | 645000 | 566089 | 610000 | 0 | 645000 | (MT) |
| Imports | 218 | 276 | 0 | 200 | 0 | 200 | (MT) |
| MY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (MT) |
| TOTAL SUPPLY | 848046 | 841492 | 991309 | 1018789 | 363168 | 1061205 | (MT) |
| Exports | 435889 | 435119 | 642293 | 605000 | 0 | 635000 | (MT) |
| USE Dom. Consumption | 14152 | 25000 | 13064 | 25000 | 0 | 25000 | (MT) |
| Loss Dom. Consumption | -27216 | -27216 | -27216 | -27216 | 0 | -27216 | (MT) |
| TOTAL Dom. Consumption | -13064 | -2216 | -14152 | -2216 | 0 | -2216 | (MT) |
| Ending Stocks | 425220 | 408589 | 363168 | 416005 | 0 | 428421 | (MT) |
| TOTAL DISTRIBUTION | 848045 | 841492 | 991309 | 1018789 | 0 | 1061205 | (MT) |